

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7496

Investigation into Central Vermont Public Service)
Corporation's staffing levels)

Order entered: 3/31/2010

ORDER APPROVING SETTLEMENT

In this Order, we approve a settlement¹ between Central Vermont Public Service Corporation ("CVPS" or "the Company") and the Vermont Department of Public Service ("Department" or "DPS"). We accept this settlement in lieu of requiring CVPS to comply with our previous Order of August 20, 2009, in which we directed the Company to undertake a comprehensive staffing review to determine whether CVPS is maintaining an appropriate staffing level for an electric utility of its size.²

I. PROCEDURAL HISTORY

The procedural history of this docket is set forth at length in our Order of August 20, 2009. In that Order, we ordered CVPS to retain a consultant – with input from the Department in the selection process – to perform an in-depth staffing review.³ We further

1. The parties have memorialized their settlement in an executed Memorandum of Understanding ("MOU"), a copy of which is attached to this Order as Exhibit Joint-1.

2. Docket 7496, *Investigation into Central Vermont Public Service Corporation's staffing levels*, Order of 8/20/10 at 15-16.

3. *Id.*

required that CVPS file with us a copy of the consultant's final report, at which time the Department was to have an opportunity to file comments.⁴

On December 1, 2009, the parties filed for review and approval by the Board an MOU that was intended to resolve all remaining issues in this Docket by substituting for the comprehensive staffing review an agreed-upon method for CVPS to reduce its staffing levels over the next several years.⁵

On January 15, 2010, the Clerk of the Board issued a memorandum to the parties containing written questions posed by the Board to the parties concerning the MOU.

CVPS filed responses to the Board's questions on January 26, 2010;⁶ the Department filed responses on January 29, 2010.⁷

On February 5, 2010, the Clerk of the Board issued an additional memorandum containing a follow-up question posed by the Board concerning the MOU.

CVPS filed responses to the Board's follow-up question on February 17, 2010;⁸ the Department filed responses on February 23, 2010.⁹

4. *Id.*

5. Letter from Dale A. Rocheleau, Esq., on behalf of CVPS, to Susan Hudson dated January 26, 2010, at 3 (hereinafter "Exh. Board-1"); letter from Geoffrey Commons, Esq., on behalf of the Department, to Susan Hudson dated January 29, 2010, at 2 (hereinafter "Exh. Board-2").

6. Exh. Board-1.

7. Exh. Board-2.

8. Letter from Dale A. Rocheleau, Esq., on behalf of CVPS, to Susan Hudson dated February 17, 2010 (hereinafter "Exh. Board-3").

9. Letter from Geoffrey Commons, Esq., on behalf of the Department, to Susan Hudson dated February 23, 2010 (hereinafter "Exh. Board-4"). We hereby admit Exhibits Board-1, Board-2, Board-3 and Board-4 into the evidentiary record of this proceeding. Any party wishing to object to the admission of these documents into evidence should do so in writing within 10 days of the issuance of this Order.

II. FINDINGS

1. The MOU provides that CVPS will reduce its staffing levels over a five-year period (2010-2014) by 17 regular employees. This reduction will be in addition to the staffing changes contemplated by CVPS's Advanced Metering Infrastructure Plan. Exh. Joint-1 at 1; exh. Board-1 at 3.

2. The MOU establishes the starting point for calculating the staffing reductions under the MOU as 549 employees. Exh. Joint-1 at 1.

3. Under the MOU, beginning with CVPS's 2011 base rate filing, and annually thereafter through the 2014 base rate filing, the Company will limit the personnel costs it seeks to recover in rates to the costs associated with a regular employee headcount of no more than 538 for the year 2011, 536 in 2012, 534 in 2013 and 532 in 2014. To the extent that CVPS exceeds its targeted reduction quota for any of these years, the MOU affords CVPS the flexibility to apply that excess as a credit to subsequent-year reductions. Exh. Joint-1 at 2.

4. The MOU provides that the computation of the "regular employee" headcount number for each year and the associated costs for this headcount number will be consistent with the computation illustrated in Appendix A to the MOU. Exh. Joint-1 at 2.

5. The number of vacancies reflected in the Appendix A computation will be based on an average headcount comparison, by comparing test year budgeted and actual headcount data to determine the average vacancy rate to apply to the rate year. For instance, to determine the average vacancy rate for the 2011 Rate Year filing, CVPS will compare the 2009 budgeted headcount (which assumes all positions are filled) against the actual headcount for 2009. Exh. Board-1 at 2; exh. Board-2 at 2; exh. Board-3; exh. Board-4.

6. On or before November 1, of each year, CVPS will provide a report to the Board and the Department demonstrating its compliance with the targeted staffing level for the applicable rate year as set forth in the MOU. Exh. Joint-1 at 2.

7. Under the MOU, CVPS will have discretion in determining how to achieve the staffing reductions outlined in the MOU. Exh. Joint-1 at 1.

8. The MOU provides that the Company may seek to recover in rates all reasonable costs (e.g., severance) associated with these reductions, provided the recovery of such costs is otherwise consistent with normal ratemaking standards. Exh. Joint-1 at 1; exh. Board-1 at 2; exh. Board-2 at 1-2.

9. The MOU further provides that if CVPS is in compliance with the terms of the MOU, the Department will not oppose the recovery in rates of all reasonable costs associated with staffing and related compensation during the term of the MOU, provided the recovery of such costs is otherwise consistent with normal ratemaking standards. Exh. Joint-1 at 2.

III. DISCUSSION

This investigation was opened at the joint request of CVPS and the Department in order to resolve their disagreement as to the appropriateness of the Company's staffing levels. In due course, we issued an order directing CVPS to undertake a comprehensive staffing level review that likely would have proved to be costly, but that held the promise of potential benefits large enough to justify that cost.¹⁰ It was an outcome for which neither party had advocated, but that we had concluded would best serve the interests of CVPS's ratepayers, given the parties' apparent irreconcilable differences.

The Department and CVPS have presented us with a settlement that in effect amends our order by substituting the terms of the MOU for the comprehensive staffing level review that we directed CVPS to undertake. Accordingly, we will treat the filing of the MOU as a stipulated motion to amend our Order of August 20, 2009, to relieve CVPS of its duty to comply with Ordering Clauses 1, 2, 3 and 4 of that Order, and to instead abide by the terms of the MOU.

Having reviewed the MOU and the exhibits we have admitted today into the evidentiary record,¹¹ we have decided to approve the MOU, subject to the following

10. Docket 7496, Order of 8/20/09 at 11.

11. See *infra* page 2 n. 7.

qualification: Paragraph 7 of the MOU provides that CVPS may recover all reasonable costs associated with the staff reductions in accordance with "the adder to the non-power-cost cap for new initiatives under the Company's alternative regulation plan" ¹² Furthermore, Paragraph 8 of the MOU provides that there are certain personnel costs that "shall not be eligible for inclusion in the New Initiative Adder, but shall be subject to the non-power cost cap." ¹³ The "New Initiative Adder" to which Paragraphs 7 and 8 of the MOU refer is not in effect at this time under CVPS's alternative regulation plan, and in fact is presently under review in Docket 7586. ¹⁴ Therefore, in approving the MOU in this Order, we expressly qualify the approval of Paragraphs 7 and 8 to reflect the fact that we have not yet determined in Docket 7586 whether we will approve the implementation of the "New Initiative Adder" proposed by CVPS. In the event we ultimately do approve the "New Initiative Adder," then Paragraphs 7 and 8 of the MOU shall be deemed to incorporate the terms upon which we approve the implementation of the "New Initiative Adder." In the event we decline to approve the "New Initiative Adder" proposed in Docket 7586, then (1) Paragraph 7 of the MOU shall become null and void, except to the extent that it reserves to CVPS the discretion as to how to achieve its staffing level reductions, and (2) the reference to the New Initiative Adder shall be stricken from Paragraph 8. ¹⁵

IV. CONCLUSION

In our Order of August 20, 2009, we expressed our intention to set a path for the resolution of the Department's question regarding the appropriateness of CVPS's staffing

12. Exh. Joint-1 at 1-2.

13. Exh. Joint-1 at 2.

14. *Id.* at 2.

15. We assume the parties will be amenable to this qualified approval of Paragraphs 7 and 8 of the MOU. The Department has represented that it is "highly unlikely" that it would seek to terminate the settlement "based on rejection of the new initiatives adder." Exh. Board-2 at 1. CVPS has stated that it is open to waiving Paragraph 7 of the MOU if it is "an impediment to Board approval." Exh. Board-1 at 1 and 2. CVPS has expressed no position with regard to waiving Paragraph 8 to the extent that it pertains to the New Initiatives Adder, but such a willingness to waive logically follows from CVPS's stated desire to remove the impediment to Board approval that is posed by the as-yet unresolved status of the New Initiatives Adder in Docket 7586.

level.¹⁶ It was to that end that we directed CVPS to undertake a comprehensive staffing level review. We now welcome this settlement as a reflection of the initiative taken by CVPS and the Department to find the reasonable common ground for compromise that has eluded them on this issue of staffing levels in CVPS's four most recent ratemaking-related dockets.¹⁷ We therefore approve the MOU as a reasonable outcome in view of the time, resources and ratepayer dollars that have been invested to date in examining the issue of appropriate staffing levels for CVPS.

V. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board ("Board") of the State of Vermont that:

1. The Memorandum of Understanding between Central Vermont Public Service Corporation ("CVPS") and the Vermont Department of Public Service, filed on December 1, 2009, is approved, except for Paragraphs 7 and 8, which are modified in keeping with the terms of this Order. CVPS shall comply with all of its obligations under the Memorandum of Understanding.
2. In conjunction with its annual base rate filing, CVPS shall file with the Board the report required pursuant to Paragraph 8 of the MOU detailing the job descriptions for each position it has eliminated, as well as the compliance report required pursuant to Paragraph 12 of the MOU.
3. The Board's Order in this docket dated August 20, 2009, is amended to rescind the Ordering Clauses 1, 2, 3 and 4 on page 17.

16. Docket 7496, Order of 8/20/09 at 15.

17. *Id.* at 12.

Dated at Montpelier, Vermont, this 31st day of March, 2010.

<u>s/James Volz</u>)	
)	PUBLIC SERVICE
)	
<u>s/David C. Coen</u>)	BOARD
)	
)	OF VERMONT
<u>s/John D. Burke</u>)	

OFFICE OF THE CLERK

FILED: March 31, 2010

ATTEST: s/Susan M. Hudson
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.